

VZCZCXRO8893
OO RUEHFL RUEHKW RUEHLA RUEHROV RUEHSR
DE RUEHMO #0875/01 0911105
ZNY CCCCC ZZH
O 311105Z MAR 08
FM AMEMBASSY MOSCOW
TO RUEHC/SECSTATE WASHDC IMMEDIATE 7403
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE PRIORITY
RUEHDX/MOSCOW POLITICAL COLLECTIVE PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
RUCPDO/DEPT OF COMMERCE WASHDC PRIORITY
RHEHNSC/NSC WASHDC PRIORITY

C O N F I D E N T I A L SECTION 01 OF 02 MOSCOW 000875

SIPDIS

SIPDIS

DEPT FOR EUR/RUS
DOC FOR 4231/IEP/EUR/JBROUGHER
TREASURY FOR TORGERSON
NSC FOR WARLICK
STATE PLS PASS FOR USTR HAFNER

E.O. 12958: DECL: 03/31/2018
TAGS: [ECON](#) [EINV](#) [EIND](#) [PGOV](#) [PREL](#) [RS](#)
SUBJECT: MEDVEDEV'S ECONOMIC THINK TANK: INSTITUTE FOR
CONTEMPORARY DEVELOPMENT

REF: 07 MOSCOW 2527

MOSCOW 00000875 001.2 OF 002

Classified By: ECON M/C ERIC T. SCHULTZ. REASONS 1.4 (B/D).

SUMMARY

1. (C) On March 18, President-elect Medvedev participated in the opening seminar of the Institute for Contemporary Development, the economic think tank that many observers say will become the brain trust for Medvedev's economic policies. Press reports have compared Medvedev's endorsement of the Institute with Putin's creation of the Center for Strategic Research, or the Gref Center, when he became Prime Minister in 1999. Medvedev asked Igor Yurgens, of Renaissance Capital, to lead the new Institute. Yurgens downplayed the Gref Center comparisons in a meeting with us, saying he wants the Institute to be independent of the government and provide a range of views and policy options to Medvedev, starting with its first project: growing the Russian middle class. End summary.

MEDVEDEV'S NEW THINK TANK

2. (SBU) On March 18, President-elect Medvedev participated in a closed-door discussion on the impact of the current U.S. financial situation on the Russian economy at the new Institute for Contemporary Development. Press coverage following the session centered on the Institute's ties to the President-elect and comparisons with the Gref Center in the early years of the Putin administration. Putin established the Gref Center in 1999 to generate ideas for his economic policies and to draft a reform program. Prior to March 18, the Institute for Contemporary Development was known as the RIO Center, a think tank created by Communications Minister Reyman and Vice President of the Union of Industrialists and Entrepreneurs (RSPP) Igor Yurgens in 2003 (reftel).

3. (SBU) Yurgens will head the new Institute's executive board, which includes a number of prominent economists, many of them known to the Embassy, such as Ruslan Grinberg from the Academy of Sciences, former Labor Deputy Minister Evgeniy

Gontmakher, middle class expert Tatyana Maleva, and economist Vladimir Mau. Gontmakher told econoffs on March 25 that the Institute had four main directions: International Relations, which would be headed by either Sergei Prikhodko or Sergei Yastrzhembskiy from the Kremlin; Socio-economic issues, headed by Gontmakher; Domestic policy, directed by political think-tanker Boris Makarenko; and Information Technology, whose head has not yet been designated.

14. (SBU) Medvedev will chair the Supervisory board of the Institute with Minister Reyman and Economic Development and Trade (MEDT) Minister Nabiullina as deputy chairs. Presidential Administration Expert Department Head Arkady Dvorkovich and Chairman of the Supreme Arbitration Court, Anton Ivanov, are also on the board.

YURGENS ON HIS NEW JOB

15. (C) In a March 19 meeting with visiting NSC Senior Director for Russia Mary B. Warlick, Yurgens confirmed that he had been tapped by Medvedev to head the new "think tank" but downplayed comparisons to the Gref Center, noting that his Institute would be one voice among many advising the new president. Yurgens said he had told Medvedev that the Institute needed to be completely independent in order to its job well. To that end, private sector representatives on the Board, such as Severstal's Alexander Mordashev, would help raise an endowment to fund the Institute's activities. Yurgens added he anticipated difficulties with Dvorkovich and others in the government who, though well-meaning, were likely to try and direct the Institute's activities.

16. (C) Yurgens said that he was impressed by Medvedev so far and was optimistic about his presidency. He noted that at the briefing for Medvedev on the U.S. economy Medvedev had

MOSCOW 00000875 002.2 OF 002

interacted with the analysts and had encouraged a very frank and open briefing. Yurgens said Medvedev had also been receptive to the main conclusion of the briefing, that greater economic openness on Russia's part would increase its chances of being a "safe haven" during troubled times. Yurgens added that unlike his predecessor, Medvedev was too young to have known the USSR and did not consider its demise a "tragedy." This also augured well for Russia's future and in particular for its relations with the West.

17. (C) Yurgens said the Institute would focus on one issue at a time. Its first topic was to be growing the Russian middle class. For this topic and for the others to follow, the Institute's core experts would be complemented by additional topical experts drawn from all points of view. Gontmakher told us separately that he would be organizing a conference on the middle class by the end of April. He said that he had already written a two page brief that was sitting on Medvedev's desk. Gontmakher said the main goal of the conference was to show Medvedev the scope of the current middle class problem and to suggest policy options to grow it by developing the labor market, the housing market, and civil society. Gontmakher said the middle class project would continue after the conference, including establishing a separate center.

CRITIQUE OF MEDT'S 2020 STRATEGY

18. (SBU) Both Yurgens and Gontmakher voiced sharp criticism of the MEDT's recently released long-term, socio-economic strategy to 2020. During a March 18 RSPP meeting, Yurgens criticized the document as "extremely state-centered" without enough focus on development of the private sector. While recognizing the necessity to have direct GOR involvement in sectors involving national security matters, Yurgens stressed

the need to limit government intervention in the economy. The RSPP plans to present their critique of the MEDT 2020 strategy by April 7.

¶9. (C) Gontmakher told us that the MEDT document was not a strategy because it does not provide any mechanisms to achieve their "wish list" of target indicators. He repeated comments about the current economic policies that other economists associated with the institute have told econoffs before: that the current MEDT was not capable of carrying out Medvedev's economic priorities. In a sidenote, he mentioned that MEDT Minister Nabiullina did not like being Minister and probably would move to the Presidential Administration after May. He said that Dvorkovich wanted the job and was the likely candidate to replace Nabiullina.

COMMENT

¶10. (C) President-elect Medvedev's close ties to Yurgens' institute and the possible involvement of Kremlin heavyweights, such as Prikhodko and Yastrzhembskiy, suggest that this think tank could wield much influence in Medvedev's administration. Whether it becomes an independent institute to provide the new president with alternative policy options, as Yurgens portrays it, or it follows the path of the Gref Center to become a policy factory for Medvedev's economic priorities, one thing is clear. The institute's activities and its members merit our close attention.
BURNS